No. 10-603

IN THE
Supreme Court of the United States

SUPER DUPER, INCORPORATED, D/B/A SUPER DUPER PUBLICATIONS,
Petitioner,

v.

MATTEL, INCORPORATED,
Respondent.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FOURTH CIRCUIT

REPLY BRIEF FOR PETITIONER

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REPLY IN SUPPORT OF PETITION FOR WRIT OF CERTIORARI

There are several key areas of agreement between Super Duper and Mattel. Mattel never disputes that the question presented – the criteria for awarding "profits" for trademark infringement – is a question of enormous practical significance. As the petition explains without comment from Mattel, virtually every one of the thousands of trademark actions filed each year seeks to recover the defendant's profits from the infringement. Pet. 24-26. Mattel also agrees that for many years there was a "circuit split" on the criteria for awarding trademark profits. Resp. 17, 18, 21. Although Mattel incorrectly argues that an amendment to the profits provision governing trademark **dilution** resolved the long-standing split on the criteria for profits from trademark **infringement**, the leading treatise on trademark law expressly declares that description of Congressional intent "inaccurate."

Mattel's principal arguments against review rely on inaccurate characterizations of this litigation. Only by resort to the most permissive criteria for awarding profits, criteria that require proof of neither willful infringement nor actual customer confusion, could the Fourth Circuit affirm the district court's million dollar profits award in this infringement case.

I. THE CIRCUITS ARE DIVIDED OVER THE CRITERIA FOR AWARDING PROFITS UNDER THE LANHAM ACT

Mattel tellingly devotes only belated attention to the circuit split, electing to begin its discussion on page 17. Mattel's hesitancy is well-founded.

The linchpin of Mattel's circuit discussion is the suggestion that a 1999 amendment to the trademark dilution profits statute rendered all the case law regarding trademark infringement profits magically uniform in light of Congress's "clear" (Resp. 17) directive.

As a matter of legislative interpretation, Mattel's position is meritless. The petition explains (Pet. 19-20) that in 1999 Congress amended 15 U.S.C. § 1117(a) to permit a monetary award only for "willful" **dilution** under 15 U.S.C. § 1125(c) ("1999 Dilution Amendment"). This amendment did not touch the standard for an award of profits for **infringement** under 15 U.S.C. § 1125(a). Congress did not need to make the willfulness requirement explicit in section 1117(a) because "it is not only appropriate but also realistic to presume that Congress was thoroughly familiar with . . . precedents from this and other federal courts and that it expected its enactment to be interpreted in conformity with them." *Cannon v. Univ. of Chicago*, 441 U.S. 677, 699 (1979). *See* Pet. 18-19.

Mattel gets no support from *Duncan v. Walker*, 533 U.S. 167 (2001). *See* Resp. 19. In *Duncan*, at issue was the meaning of a tolling provision

triggered by an "application for State post-conviction or other collateral review" pursuant to 28 U.S.C. § 2244(d)(2). 533 U.S. at 169. Because the text in nearby provisions specified "Federal" review while the tolling provision did not so specify, the Court construed the tolling provision not to provide for federal review. *Id.* at 173. Here, the relevant text on infringement profits codified the preexisting judicial understanding of the criteria for awarding infringement profits. Nothing in *Duncan* suggests that such a codification is displaced when Congress subsequently enacts a separate provision.

In any event, Mattel's suggestion that the 1999 Dilution Amendment has resolved the split is not an accurate description of the circuit case law. The petition describes how the Third, Sixth and Seventh Circuits have rejected both intentional infringement and actual confusion as prerequisites for an award of profits. Pet. 11-13. On the other side of the split, the petition describes how the First, Second, Ninth, Tenth, District of Columbia and Federal Circuits all require either intentional infringement or actual confusion or both before awarding the defendant's profits. Pet. 13-16.

Mattel makes no comment on the Sixth, Seventh and Tenth Circuit case law cited by the petition. *See* Pet. 11-12.[1] Mattel notes that the Fourth and Fifth

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[1] *See also W. Diversified Servs., Inc. v. Hyundai Motor Am., Inc.*, 427 F.3d 1269, 1273 (10th Cir. 2005) ("[W]e require a showing that Defendant's actions were willful to support an award of profits under 15 U.S.C. § 1117(a)"); *Henry v. Pro 10 Originals, LLC*, 698 F. Supp. 2d 1279, 1300-01 (D. Wyo. 2010) ("[T]his circuit holds that an award of a defendant's profits

Circuits' referred to the 1999 Dilution Amendment. Resp. 20. But to the extent these circuit courts have used the dilution amendment to justify their views, the split has merely become more, not less, entrenched. Mattel says little regarding the D.C. Circuit, noting only (Resp. 23) that the D.C. Circuit had not specifically ruled that actual confusion was required but not refuting that the D.C. Circuit has held that it would not award profits in the absence of a causal link between profits and infringement, a holding that necessarily requires proof of actual confusion.[2] And, as to the Federal Circuit, Mattel's response emphasizes that the Federal Circuit was applying Eighth Circuit law and did so incorrectly. Resp. 23. But even if accurate, that would merely confirm that the circuit courts are in disagreement about the proper criteria for awarding infringement profits.

Mattel highlights that the Third Circuit used to hold that willfulness was a requirement, but pegged its change of heart to the 1999 Dilution Amendment. Resp. 19 (discussing *Banjo Buddies, Inc. v. Renosky*, 399 F.3d 168 (3d Cir. 2005)). In doing so, however, the Third Circuit expressly recognized the "wealth of

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'requires a showing that defendant's actions were willful or in bad faith") (citing *Bishop v. Equinox Int'l Corp.*, 154 F.3d 1220, 1223 (10th Cir. 1998)); *Cache La Poudre Feeds, LLC v. Land O' Lakes, Inc.*, No. 04-cv-329, 2007 WL 2521116 (D. Colo. Aug. 31, 2007) ("The Tenth Circuit further stated that a finding of willfulness is required to support an award of profits.").

[2] *See also Breaking the Chain Found., Inc. v. Capitol Educ. Support, Inc.*, 625 F. Supp. 2d 1, 2 (D.D.C. 2009) ("To recover a defendant's profits under the Lanham Act, the plaintiff must show the defendant acted 'willfully or in bad faith.'") (internal citations omitted).

contrary authority" in other circuits. *Banjo Buddies*, 399 F.3d at 174.

Moreover, the leading scholar in trademark law has expressly rejected the reasoning of the *Banjo Buddies* decision, concluding that the 1999 Amendment did not "remov[e] willfulness as a requirement for an award of profits in a classic infringement case." 5 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARK AND UNFAIR COMPETITION § 30:62 (4th ed. Supp. 2010) ("courts have leveraged this statutory change beyond its intended scope to adjust the equities in ordinary infringement cases in order to make it easier for a trademark owner to recover profits."). Mattel asserts that this is Professor McCarthy's "personal view" (Resp. 21 n.5), but McCarthy writes: "By 2005, a split of authority developed such that while most circuits required some showing of willfulness, the Third and Fifth (and perhaps the Seventh and Eleventh) held that while relevant, willfulness was not essential or indispensable to a recovery of profits." *Id.*

As to the First Circuit's decision in *Venture Tape Corp. v. McGills Glass Warehouse*, 540 F.3d 56 (1st Cir. 2008), cited by Mattel, that decision did not disturb the willfulness requirement stated in *Tamko Roofing Prods., Inc. v. Ideal Roofing Co.*, 282 F.3d 23, 36 n.11 (1st Cir. 2002).

As to the Second Circuit, Mattel cites a single district court decision, *Nike, Inc. v. Top Brand Co.*, No. 00-civ-8179, 2005 WL 1654859 (S.D.N.Y. July 13, 2005), that is demonstrably out of step with Second Circuit law. Since *Nike*, numerous district

courts in the Second Circuit have continued to follow *George Basch Co. v. Blue Coral, Inc.*, 968 F.2d 1532 (2d Cir. 1992), *see* Pet. 14, while expressly rejecting *Nike*. *See, e.g., Pedinol Pharmacal, Inc. v. Rising Pharms., Inc.*, 570 F. Supp. 2d 498, 503 (E.D.N.Y. 2008) ("court holds, therefore, that the Second Circuit's interpretation of Section 1117(a) in *Basch*, which construed the same statutory language that existed prior to the 1999 Amendment of the statute, remains good law"); *Malletier v. Dooney & Bourke, Inc.*, 500 F. Supp. 2d 276, 281 (S.D.N.Y. 2007) ("addition of 'willful violation under section 1125(c),' does not indicate that it was Congress's intention to simultaneously *sub silentio* overturn the weight of authority with respect to section 1125(a)") (internal citation omitted); *Mr. Water Heater Enters., Inc. v. 1-800-Hot Water Heater, LLC*, 648 F. Supp. 2d 576, 590 (S.D.N.Y. 2009).

As to the Ninth Circuit, Mattel again highlights a one-off district court opinion. Resp. 20. But, since 1999, the Ninth Circuit has restated its requirement of willfulness on at least two occasions. *See Contessa Food Prods. Inc v. Lockpur Fish Processing Co.*, 123 Fed. Appx. 747, 751 (9th Cir. 2005) ("[W]e deny Contessa's request for disgorgement of profits because of an absence of any evidence supporting a reasonable inference that any of the Defendants willfully infringed its alleged trademark"); *Kassbaum v. Steppenwolf Prods., Inc.*, 236 F.3d 487, 492 (9th Cir. 2000) ("Actual consumer confusion is not required for profit recovery; it is sufficient to show a likelihood of confusion combined with willful infringement."). Consequently, district courts in the Ninth Circuit have continued to require willful

infringement for an award of profits. *See also Bellagio Jewelry, Inc. v. Croton Watch Co.*, No. CV 06-6672, 2008 WL 3905895, at *12 (C.D. Cal. Aug. 20, 2008) ("Generally, a plaintiff must establish that the defendant engaged in willful misconduct to obtain a defendant's profits.").

II. THIS CASE IS AN IDEAL VEHICLE TO CLARIFY THE CRITERIA FOR AWARDING PROFITS UNDER THE LANHAM ACT

Mattel saves most of its effort for a rambunctious attempt to show that the question presented is not suitably presented. Resp. 11-17. By any objective analysis, however, the criteria for awarding trademark profits is squarely presented in this case where the jury found neither intentional infringement nor actual confusion yet the district court awarded $1 million in trademark profits and the Fourth Circuit summarily affirmed based solely on the trademark infringement finding. Mattel notes (Resp. 11) the numerous issues that Super Duper is "not challenging," inadvertently confirming that this is suitable vehicle for considering the important questions presented.

a. Mattel's reading of the jury verdict form is refuted by the form itself. Mattel denies that the jury found Super Duper's infringement not intentional. Resp. 13-14. But the jury answered "no" to the question "Do you find that Super Duper's infringement and unfair competition was intentional?" App. 43a. Mattel argues that, given the jury's answer of "no" to Question 2 (which asked

whether Super Duper committed unfair competition), the jury's answer of "no" to Question 3 was inevitable given the conjunctive phrasing of Question 3. Resp. 13. But Question 2 of the verdict form instructs the jury that "If you answer NO, proceed to Question 5." App. 43a. The jury, therefore, would not have answered Question 3 if it had answered "no" to Question 2. Only because the jury had answered "yes" to Question 1 (which asked whether Super Duper committed infringement) did the jury answer Question 3 (regarding intent) in the negative. App. 42a.[3]

Similarly, Mattel's belated suggestion that the jury found actual confusion is wrong. Even a cursory review of the record leaves no doubt as to the absence of any evidence of actual confusion. *See, e.g.*, J.A. 514, 763 ("I haven't been confused"); 733 (in twenty years had "never seen any sign of confusion"); 983 (Super Duper's unrebutted expert testimony

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[3] Mattel selectively quotes from the record in an unpersuasive post-hoc effort to establish willful infringement. The opinion of counsel that Mattel highlights (Resp. 4) approved Super Duper's mark. J.A. 1542-43 ("[I]t is our opinion that your proposed mark SEE IT! SAY IT! is available for your use and registration."). Although Super Duper "engaged different outside counsel" the following year (Resp. 4), this was because the trademark attorney had died. J.A. 823 ("Ralph got suddenly terminally ill and he passed away sometime in 2002, 2001, and we had to go to a new trademark attorney."). Mr. Webber's "numerous sworn statements," which concerned his familiarity with the SEE 'N SAY marks specifically, were not shown to be false by any later admission. *See* J.A. 869 ("I didn't realize that the SEE 'N SAY was that little pull toy. . . It just didn't mean anything to me in 1997 in connection with the name being a pull toy.").

that "since 1987 they have been in the marketplace together, and you don't have any evidence of confusion"). For this reason, Mattel did not claim lost sales at trial. J.A. 1278-79 ("[W]e are saying we are only claiming defendant's profits. We are not claiming actual damages through lost sales of Mattel. We are not claiming that."). The district court expressly ruled actual confusion not relevant. App. 27a ("Factor two, whether sales been diverted, is inapplicable."). Mattel agreed. Brief of Appellee Mattel, Inc. at 56, *Super Duper, Inc. v. Mattel, Inc.*, No. 09-1397 (4th Cir. Oct. 27, 2009), ECF No. 33. ("The district court correctly determined that the second factor – whether sales have been diverted – was inapplicable"). The Fourth Circuit's opinion also assumes no actual confusion finding. App. 5a ("inference to be drawn from Mattel's **lack of evidence of actual confusion**") (emphasis added).

Tellingly, Mattel ignores the photographs depicting Super Duper's educational product next to Mattel's toy. *See* Pet. 5-6. By its silence, Mattel concedes what leaps off the page: the products look nothing alike. As the amicus brief filed in support of Super Duper's petition confirms, Super Duper is known and loved among the special needs community, not because it peddles knocks-offs of pull-toys – in fact, it does not sell a single pull-toy – but because its products are innovative and the state of their art, having helped many children overcome challenges that range from simple stuttering to severe apraxia. *See* J.A. 532-34, 551-63. Moreover, as Mattel argued during the course of this litigation, "other trademarks have no bearing upon any fact

that is pertinent to the ultimate resolution of this action." Defendant and Counterclaimant's Motion in Limine No. 6 at 4, *Super Duper, Inc. v. Mattel, Inc.*, No. 6:05-CV-01700-HFF (D.S.C. Sept. 18, 2007), ECF No. 212. *Accord* App. 27a (district court "considered only" conduct "that is the subject of this suit").

b. Mattel mischaracterizes the decision below in arguing that the Fourth Circuit's affirmance of the profits award was also "based on Super Duper's waiver of any challenge to basing the profits award on dilution." Resp. 16 n.3.

Contrary to Mattel's suggestion, the sole reason the Fourth Circuit affirmed the profits award below was its (mistaken) view of the infringement profits provision. As the petition explains (Pet. 9), the Fourth Circuit found the dilution error waived and thus reviewed "this issue only for plain error." App. 13a. The Court declined to "exercise [its] discretion to correct the [dilution] error," solely because the "award of profits and attorneys' fees and costs in this case was **independently justified** by the jury's" "infringement" finding. App. 13a-14a (emphasis added). Because the district court was permitted, in the Fourth Circuit's view, to award profits based on infringement, it would not correct the legal error: "Super Duper has simply failed to establish that the district court's award of lost profits would have differed had it not considered the jury's finding of trademark dilution." App. 14a. Thus, only because the infringement profits were found proper did the court decline to use its plain error authority to correct the error on dilution.

c. Mattel also misinvokes this Court's waiver rules. Mattel cites waiver cases where the issue presented to this Court was **never** ruled on by the court of appeals, and did not constitute well-settled law in the circuit. *See Adickes v. S.H. Kress & Co.*, 398 U.S. 144 (1970) (declining to consider overruling the Civil Rights Cases where circuit had not addressed question); *Pennsylvania Dep't Corrs. v. Yeskey*, 524 U.S. 206, 212 (1998) (declining to review whether the American Disabilities Act's application to state prisons is a constitutional exercise of Congress's power under either the Commerce Clause or the 14th Amendment; circuit authority had not ruled on the question, *see Inmates of Allegheny County Jail v. Wecht*, 93 F.3d 1124 (3d Cir. 1996)). Here, the issue was passed on both in this case and in a prior circuit court decision.

The district court awarded the infringement profits (App. 25a-26a) and the court of appeals affirmed the award (App. 14a). The question of whether the infringement profits award is proper is thus squarely presented. *See, e.g., Stevens v. Dep't of Treasury*, 500 U.S. 1, 8 (1991) ("The District Court heard the case on the merits. . . . The Court of Appeals in its turn specifically referred [to] . . . the timeliness question . . . We thus are satisfied that the issue is properly before us.").

Moreover, the Fourth Circuit's position on the question presented is clear. As the petition explains and as Mattel does not deny, the Fourth Circuit has clearly decided that intentional infringement and actual confusion are not required for an award of infringement profits. Pet. 12-13; *see Synergistic Int'l,*

LLC v. Korman, 470 F.3d 162, 175 (4th Cir. 2006). Here, the Fourth Circuit applied that settled and binding circuit law in an unpublished disposition. Add. 15a n.8 (discussing *Synergistic*). Thus, it matters not that Super Duper did not previously press the proper criteria for trademark infringement. The court of appeals had ruled on the issue previously and applied that ruling in this case. *See Lebron v. Nat'l R.R. Passenger Corp.*, 513 U.S. 374, 379 (1995) ("Our practice 'permit[]s review of an issue not pressed so long as it has been passed upon . . . ." (citations omitted); *United States v. Williams*, 504 U.S. 36, 41 (1992) ("permitting review of an issue not pressed so long as it has been passed upon"). Any effort by Super Duper to raise these issues below would have been futile. *See Reed v. Ross*, 468 U.S. 1, 16-20 (1984).

CONCLUSION

The petition for review should be granted.

Respectfully submitted,

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